



Revenue and Budget Update

Strategic Committee on Postsecondary Education

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Revenue and Budget Update

- Quarterly "888" Report (KRS 48.400)
- April Receipts
- Federal Fiscal Relief
- Impact of Federal Tax Cuts
- Rating Agency Visit

Revenue Update

- Quarterly "888" Report (KRS 48.400)
 - FY 03 \$81.7 Million Revenue Shortfall
 - Reductions Primarily in Sales and Income Taxes
 - No prediction on FY 04

Selected U.S. and Kentucky Economic Indicators

	FY 2003	
	Jan 03 CFG	Apr 03 GOEA
□ U.S. Real GDP	2.8%	2.7%
□ Rate of Inflation	2.2%	2.2%
□ Consumer Confidence	84.4	83.1
□ Personal Income		
➤ U.S.	4.2%	3.5%
➤ Kentucky	4.3%	3.0%
□ Nonagricultural Employment		
➤ U.S.	-0.1%	-0.3%
➤ Kentucky	1.0%	0.4%

**General Fund Forecast Comparison for
FY03
January CFG vs. April Interim Estimate***
(millions of dollars)

	Jan CFG	April Interim	Difference
Sales Tax	2,401.5	2,380.6	-20.9
Individual Income Tax	2,836.6	2,763.9	-72.7
Corporation Inc. & Lic.	389.9	408.6	18.7
Coal Severance	143.7	137.8	-5.9
Property	433.8	434.8	1.0
Lottery	171.9	170.0	-1.9
Others	485.1	485.1	0.0
TOTAL	\$6,862.5	\$6,780.8	-\$81.7

Revenue Update

- April Receipts
 - .4% Decline Compared to April '02
 - 4.4% Growth Year to Date
 - Current Revenue Estimate Calls for 4.6% Growth
 - Sales and Individual Income Tax Declines
 - Consistent with Quarterly Report



Budget Update

- HB 269 Projected FY 03 Ending Balance of \$137 Million – Which is Budgeted in FY 04
- Variables Impacting Ending Balance
 - Actual Revenue Receipts
 - Unbudgeted Expenditures (NGE)
 - Lapses
 - Unanticipated Receipts



Budget Update

- Federal Fiscal Relief
 - Flexible Grant
 - \$68.7 Million in FFY 2003 (June or July, 2003)
 - \$68.7 Million in FFY 2004 (by October, 2003)
 - Medicaid FMAP Increase
 - \$55.8 Million in FFY 2003
 - \$83.0 Million in FFY 2004




Budget Update

- Impact of Federal Tax Cuts
 - No immediate budgetary impact
- Rating Agency Visit
 - Standard & Poor's Confirmed "A+"
 - No Recent Actions By Moody's or Fitch



What's Next?

- Finish FY 03
 - Monitor Receipts
 - Manage Expenditures
 - Assess Ending Balance
- Focus on FY 04
 - Impact of Final FY 03 Receipts on FY 04
 - 2.6% Revenue Growth in Official Estimate



What's Next?

- August 15
 - Consensus Forecasting Group Planning Report (FY 04 – FY 08)
- September 8
 - SCOPE Meeting
- October 15
 - CFG Official Estimates (FY 04 – FY 06)
- January 2004
 - New Governor Introduces Executive Budget